



Making BC a great  
place for technology  
entrepreneurs

# BC Innovation Council Service Plan

2013/14 – 2015/16





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## MESSAGE FROM THE CHAIR

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Jill Leversage  
Chair, BC Innovation  
Council

Dear Minister Yap:

On behalf of the Board of Directors of the British Columbia Innovation Council (BCIC), I am pleased to present the BCIC Service Plan for the three fiscal years from 2013/14 to 2015/16.

BCIC is the Province's lead agency promoting technology commercialization, an entrepreneurial activity that advances through well-defined stages to get technology and innovative new products from the idea stage out into the world market. BCIC's activities accelerate the development of the knowledge-based economy in the province, directly leading to improved economic performance for British Columbia.

BCIC looks forward to working with its new President and CEO, John Jacobson, as he helps BCIC execute on its mission. John is a seasoned British Columbian entrepreneur and business leader with a track record of identifying new business opportunities and bringing innovative products to market.

BCIC has aligned its goals, measures and targets to reflect the outcome of the Province's Mandate Review of BCIC in 2011. BCIC's refreshed mandate extends its activities into eight key industry sectors identified in the BC Jobs Plan. BCIC has established a Cross-Sectoral Strategy for 2013/14 as a first step in making an impact in all eight sectors.

In addition, the renewed mandate also directed BCIC to change its funding process to improve transparency and accountability. New program spending will be based on specific work plans developed and proposed by the funded organization and will include appropriate measures of progress and outcomes. As a result, funding that BCIC previously flowed through to some of its partners has ended and is replaced with contribution agreements.

BCIC's strategic goals for 2013/14 have been refined from those used in 2012/13. The former action-based goal of raising the awareness of British Columbia as a great place to start and grow technology companies has been retired and replaced with the outcome-based goal of concentrating resources on opportunities that are sustainable in British Columbia. BCIC's three strategic goals for 2013/14 are expanding commercialization of innovation and technology, growing and strengthening the entrepreneurial community and concentrating resources on opportunities that are sustainable in British Columbia. Meeting these goals advances economic development in the province, creating new high quality jobs for British Columbians.

To support commercialization in British Columbia, BCIC develops and funds programs across the province that provide a physical working space and guidance for entrepreneurs. These programs help budding entrepreneurs to avoid the numerous pitfalls that can befall new businesses and thereby shorten the time needed to get a new product to market.

The largest BCIC commercialization initiative is BCAN, the BCIC Acceleration Network. BCAN touches all corners of the province through regional partners funded by BCIC. Its objective is to deliver support to allow early-stage entrepreneurs to get their businesses launched. As part of BCAN, BCIC's regional partners deliver the Venture Acceleration Program, which provides office space and a supportive environment for new entrepreneurs. Executives-in-Residence, successful business professionals trained in the use of the program, help new entrepreneurs through the earliest stages of their enrolment. Later, the BCIC Mentor Program delivers ongoing mentoring through its volunteer mentors, providing assistance as the companies develop.

BCAN is already producing strong results, directly leading to new jobs and investment in the province. In its first 12 months, 47 startups joined the program. In that time frame they collectively attracted in excess of \$4 million in private sector investment, generated \$1 million in revenues and created 140 jobs for British Columbians.

After launching BCAN in 2012, BCIC launched another new program, the BCIC-Mitacs Commercialization Voucher program. This new program matches and funds graduate students and post-doctoral fellows at British Columbia's research universities working with British Columbia companies. The vouchers support the province's technology export growth by providing a stipend to the students as they work on commercialization and market validation for a company.

## MESSAGE FROM THE CHAIR

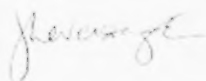
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In addition to these two major initiatives, BCIC also sponsors and supports numerous regional and province-wide conferences and competitions, like the BCIC-New Ventures Competition. This competition hones entrepreneurs' skills and helps them move beyond the startup stage.

The 2013/14 - 2015/16 BCIC service plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the *BC Reporting Principles*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks, as of January 18, 2013, have been considered in preparing the plan. The performance measures presented are consistent with BCIC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCIC's operating environment, forecast conditions, risk assessment and past performance.

Yours truly,



Jill Leversage  
Chair, BCIC  
January 18, 2013

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## ORGANIZATIONAL OVERVIEW

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### ENABLING LEGISLATION

The BC Innovation Council is a provincial Crown agency operating under the *British Columbia Innovation Council Act* (Amended in Bill 15 - 2006).

### MANDATE

The Provincial Government has provided the following direction to BCIC in order to ensure it fulfills its objectives:

- To advance commercialization in British Columbia through focused support to start-up companies and facilitation of partnerships between industry and academia;
- To work with partners and organizations that support entrepreneurship and the development of entrepreneurial talent;
- To work cooperatively with the BC Regional Science and Technology Network (BCRSTN) offices and the University-Industry Liaison Offices (UILOs) operating in the province;
- Incubate and develop key programs in partnership with the Ministry of Advanced Education, Innovation and Technology and deliver programs through well-established partners that use outcomes-based reporting and transparent practices;
- Align BCIC's board governance model with the Board Resourcing and Development Office (BRDO) policies and best practices;
- Develop a new set of outcome-based performance measures as part of a rigorous approach to planning and evaluation, and extend these metrics to partner selection and reporting;
- Diversify programming to expand entrepreneurship programs and support in priority sectors as outlined in the BC Jobs Plan; and
- Meet the financial and performance reporting requirements set out in the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, and the *Financial Information Act*.

### VISION

Making British Columbia a great place for technology entrepreneurs to access opportunities, training and community.

### MISSION

BCIC accelerates the commercialization of technology by funding venture acceleration programs that promote and assist development of entrepreneurs and early stage companies..

### VALUES

BCIC's core values guide its operations. They include:

- **Collaboration** – BCIC collaborates with partners to create programs and provide support for initiatives that develop entrepreneurs and promote the commercialization of technology.
- **Results** – BCIC measures the contribution that our programs and activities make to the province by setting performance targets and measuring results. We continually monitor our programs and services with our partners and clients to ensure outcomes are aligned with our mandate.
- **Integrity** – BCIC is committed to meeting the highest standard of integrity expected by British Columbians and Government alike. We follow fair and transparent processes in all our activities and we pass the obligation to do the same to all of the partners we provide funding to.
- **Entrepreneurial** – BCIC promotes an entrepreneurial spirit among those starting ventures in British Columbia, and BCIC is committed to operating with the same entrepreneurial spirit.

## CORPORATE GOVERNANCE

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BCIC follows, and is in compliance with, the Board Governance guidelines posted on the Board Resourcing and Development Office (BRDO) website.

### ROLE AND MEMBERSHIP OF THE BOARD

The Lieutenant Governor, through Order-in-Council, appoints the members of BCIC's Board, and delegates the role of the Chair. The Board Chair reports to the British Columbia Legislative Assembly through the Minister of Advanced Education, Innovation and Technology. The Board of Directors has seven members:

- Jill Leversage, Chair
- Jonathan Burke
- Gurval Caer
- Robin Ciceri
- Lorraine Larkin
- Derek Lew
- Cheryl Slusarchuk

### The Board:

- sets the strategic direction and approves appropriate plans from management;
- recruits, empowers and monitors BCIC's management;
- shepherds and safeguards BCIC resources, approving major financial decisions, ensuring internal controls are in-place and addressing areas of risk; and
- measures corporate performance, reporting regularly to the stakeholders to ensure compliance with applicable laws and ethical standards.

### BOARD COMMITTEES

The **Audit and Finance Committee** helps the Board fulfill its obligations and oversight responsibilities relating to the audit process, financial reporting, corporate control systems and risk management. When required, it makes recommendations to the full Board for approval.

- Committee members: Lorraine Larkin (Chair), Jonathan Burke, Cheryl Slusarchuk

The **Governance and Board Nomination Committee** reviews Board policies and practices, ensuring BCIC fulfills its legislated mandate and implements effective due diligence over BCIC's governance.

- Committee members: the full Board

The **Human Resources and Compensation Committee** is a committee of the full Board that fulfils the Board's responsibilities with respect to BCIC's staff policies and practices.

- Committee members: the full Board

## CORPORATE GOVERNANCE

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### SENIOR MANAGEMENT TEAM

John Jacobson – President and CEO

Dean Prelazzi – Managing Director, BCIC Acceleration Network

Paulin Laberge – Entrepreneur-in-Residence

### GOVERNANCE PRINCIPLES AND COMPLIANCE

BCIC's Board has adopted the guiding principles outlined in the Province of British Columbia's Governance Framework for Crown Corporations in establishing a framework from which to operate. These principles include:

- Stewardship, leadership and effective functioning of the Board
- Performance and value, innovation and continuous improvement.

BCIC's governance documents and related disclosure practices are available at <http://www.bcic.ca/corporate-reports> where a full log and library of all documents related to BCIC and its activities reside.

## STRATEGIC CONTEXT

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### SHIFTS IN INTERNAL OPERATING ENVIRONMENT

Recommendations from the 2011 review of BCIC's mandate included the direction that BCIC divest itself of all non-core responsibilities, including Science Fairs and secondary school programs. In 2013/14 BCIC will not deliver programs that are not directly aligned with its mandate.

As BCIC executes on its mission under the leadership of its President and CEO, it will focus on program delivery and on ensuring programs are effective and meeting the needs of companies involved with technology and innovation. BCIC will continue to work closely with the Ministry of Advanced Education, Innovation and Technology and other partners to maintain a clear understanding of future directions, and will align capacity and programs in accordance with funding levels.

As many BCIC programs are delivered in collaboration with its partners including members of industry, academia and government, changes within any of these entities may impact BCIC's initiatives. To reduce such risks, BCIC follows established rules of conduct when entering into agreements with external organizations.

### ECONOMIC AND INDUSTRY FACTORS, TRENDS, OPPORTUNITIES AND CHALLENGES

Taking into consideration that we are emerging from a challenging period of economic uncertainty, it is more important than ever to continue to deliver relevant commercialization programs that support economic growth and prosperity in British Columbia. BCIC is strengthening our province's knowledge economy through its established partnerships with industry, government and research institutions. By scaling our programs to meet the growing needs of the market, we enhance the entrepreneurial community and encourage the commercialization of technology.

BCIC's entrepreneurship programs operate with a small core of paid staff and a cadre of volunteer business leaders and mentors. Program implementation in some parts of British Columbia may be hampered by exceptionally strong demand from local industries for experienced managers and business leadership making it difficult to recruit the necessary volunteers.

An emerging industry issue that's having a significant effect on entrepreneurship and commercialization is a world-wide increase in the number of patent lawsuits. While some industries can operate successfully using trade secret protection, companies developing and exporting innovative new products are at increasing risk of litigation by patent holders.

### SIGNIFICANT FINANCIAL AND OPERATIONAL RISKS AND OPPORTUNITIES

BCIC operates with support from its primary funder, the Ministry of Advanced Education, Innovation and Technology. In addition, BCIC relies on both financial support from the private sector, and volunteer participation from recognized experts and leaders in their fields. Further, BCIC leverages funding from other sources to continually increase its impact in the growth of the knowledge economy.

It is important to recognize that building the knowledge economy is a long term objective and an opportunity requiring partners at all levels of government, institutions and the private sector to remain committed to its growth.

The top risks for BCIC's operations and programs are:

## STRATEGIC CONTEXT

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| Issues, Risks and Potential Impacts                                                                                                                                                                                                                                                                                                                                                                                         | Mitigating Strategies                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The programs that BCIC funds are designed to lower the risk that a new entrepreneurial venture will fail. It is possible that these programs won't actually improve outcomes, despite the quality and care taken in their design and delivery.                                                                                                                                                                              | Mitigation: BCIC uses course material developed for entrepreneurial education and practice by prominent and successful organizations like the Michigan Institute of Technology (MIT). BCIC programs using such material are customized and updated for the British Columbia context by local organizations like ACETECH, the Association of Technology CEO's. |
| The regional and educational partners are independent not-for-profit organizations governed by their own boards and management teams. Many have revenue streams from sources other than BCIC. It is a significant operational risk that economic forces in their region or strategic changes within their governance structure might cause them to decline to continue delivering BCIC's programs.                          | Mitigation: the program delivery and support burden will be divided among several partners at all times, ensuring that if one drops out, others can quickly develop capacity to replace them. Further, new partners will be chosen as required using a competitive Request for Proposals process.                                                             |
| In the early phases of several BCIC acceleration programs, many highly qualified business people have made themselves available to participate as volunteers in the BCIC Mentor program or become paid Executives-in-Residence for the delivery partners. These individuals, all of them highly qualified, may leave the program after a period when they feel they've done enough and are looking for other opportunities. | Mitigation: BCIC will maintain a steady promotion of programs that rely on volunteer Mentors and paid Executives-in-Residence and induct new participants at a sufficient rate to ensure that Mentors and Executives-in-Residence are not overburdened and that there is an adequate new intake to cover vacancies from departures and retirements.           |

### CURRENT CAPACITY TO ACHIEVE RESULTS

BCIC has the capacity to achieve its goals. In cases where it does not, it will leverage talent, relationships and strategy to deliver outstanding results. BCIC will develop the partnerships necessary to achieve its mission towards its vision of making British Columbia a great place for technology entrepreneurs to access opportunities, training and community.

## OVERVIEW OF CORE BUSINESS AREAS

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BCIC is the Province's lead organization with a mandate to encourage commercialization of technology in British Columbia. Helping entrepreneurs get new and innovative products into the global market enhances British Columbia's competitiveness and provides high quality jobs for British Columbians. New companies and ventures are the engine of job creation and the origin of the future firms that anchor the economy. All of BCIC's programs and services support this important goal.

BCIC develops and funds programs which are delivered across the province by regional economic development organizations and academic institutions. This approach enables BCIC to assure quality and consistency while catering to the specific needs of technology entrepreneurs based on their location, their industry sector and the stage of development of their venture, be it the concept, idea validation, pre-commercial or startup stage.

BCIC's programs focus on economic sectors in which British Columbia has a competitive advantage.

### BCIC CROSS-SECTOR STRATEGY

BCIC's renewed mandate expands its role in commercializing technology to eight key industry sectors that represent the areas in which British Columbia has a competitive advantage and the most potential for investment and job creation. These sectors include: Agrifoods, Natural Gas, International Education, Tourism, Technology, Transportation, Mining and Forestry.

BCIC will play an increasingly active role in supporting these sectors through programs and activities that accelerate the commercialization of technology. The development of BCIC's Cross-Sector Strategy will start in 2013 with the goal of driving technology innovation leading to new products, services, jobs and market opportunities. To develop this strategy, BCIC will:

- Expand awareness of BCIC and broaden working relationships with key sector organizations;
- Identify existing opportunities for collaboration between BCIC and other parties in these sectors;
- Identify new opportunities in these sectors to connect companies experiencing commercialization challenges with programs that can help them.

The overarching goal of the Cross-Sector Strategy is aligned with BCIC's established goals of expanding BCIC's commercialization capacity, growing and strengthening the entrepreneurial community and concentrating resources on opportunities that are sustainable in British Columbia. Implementing the strategy will improve the performance and competitiveness of companies in the key sectors, while working in concert with existing Government, not-for-profit and industry players, as described in the following pages.

## OVERVIEW OF CORE BUSINESS AREAS

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### BCIC CROSS-SECTOR STRATEGY OBJECTIVES

The BCIC Cross-Sector Strategy is aligned with BCIC's strategic goals. The following objectives will help BCIC achieve the goal of the Cross-Sector Strategy and, by doing so, extend the impact of BCIC's strategic goals into key sectors.

**a. Objective 1: Research and awareness of key sectors**

BCIC will identify key players in each sector and gain understanding of each organization's vision, mission, target audiences, areas of expertise, key offerings and successes related to innovation and commercialization. The review will consider:

- Government / Ministries
- Industry associations / groups
- Research institutions
- Accelerators
- Top British Columbia companies

**b. Objective 2: Raise awareness of BCIC and its goals among sector key players**

BCIC will connect with and establish relationships among identified key sector groups. Once a connection is established, BCIC will share communication materials that clearly articulate BCIC's mandate, who BCIC is, what BCIC does and how it does it. Increasing BCIC's profile will take place through a combination of personal meetings and correspondence.

**c. Objective 3: Engage with technology innovators across the sectors**

BCIC will create opportunities in the identified sectors to connect companies experiencing commercialization challenges with programs that can help them. Specifically, BCIC will:

- identify gaps or unmet needs for commercialization and innovation in sectors; and,
- track the market of all program participants' product or service.

### BENEFITS FOR BRITISH COLUMBIANS

A fundamental function of BCIC is to accelerate the development of the knowledge-based economy in the province, directly leading to improved economic performance for British Columbia. Within BCIC's mandate, this is accomplished by running programs that increase the quantity of successful technology entrepreneurs and companies. BCIC creates new jobs and economic growth for the province by building entrepreneurs and transforming research into commercial ventures.

### SHIFTS IN BUSINESS AREAS AND PROGRAM DELIVERY

In response to the recommendations of the 2011 Mandate Review, BCIC has ended its direct funding relationships with partners and moved to a program-based funding model. All BCIC funding now requires a proposed work plan and performance measures aligned with BCIC's strategic goals and performance measurement. BCIC will evaluate its programs on a regular basis and may change them to improve performance and relevance to its strategic goals.

With the recent shifts, BCIC has launched two major new initiatives, and is focusing on measuring early performance indicators and adjusting program content and delivery to ensure success. The process of launching new programs is similar to the way that entrepreneurs take new products to market. With that in mind, BCIC is continuously assessing the validity and applicability of the training materials that are being licensed and delivered to program participants. BCIC's staff is also paying particular attention to incoming measures of quality and program performance.

## OVERVIEW OF CORE BUSINESS AREAS

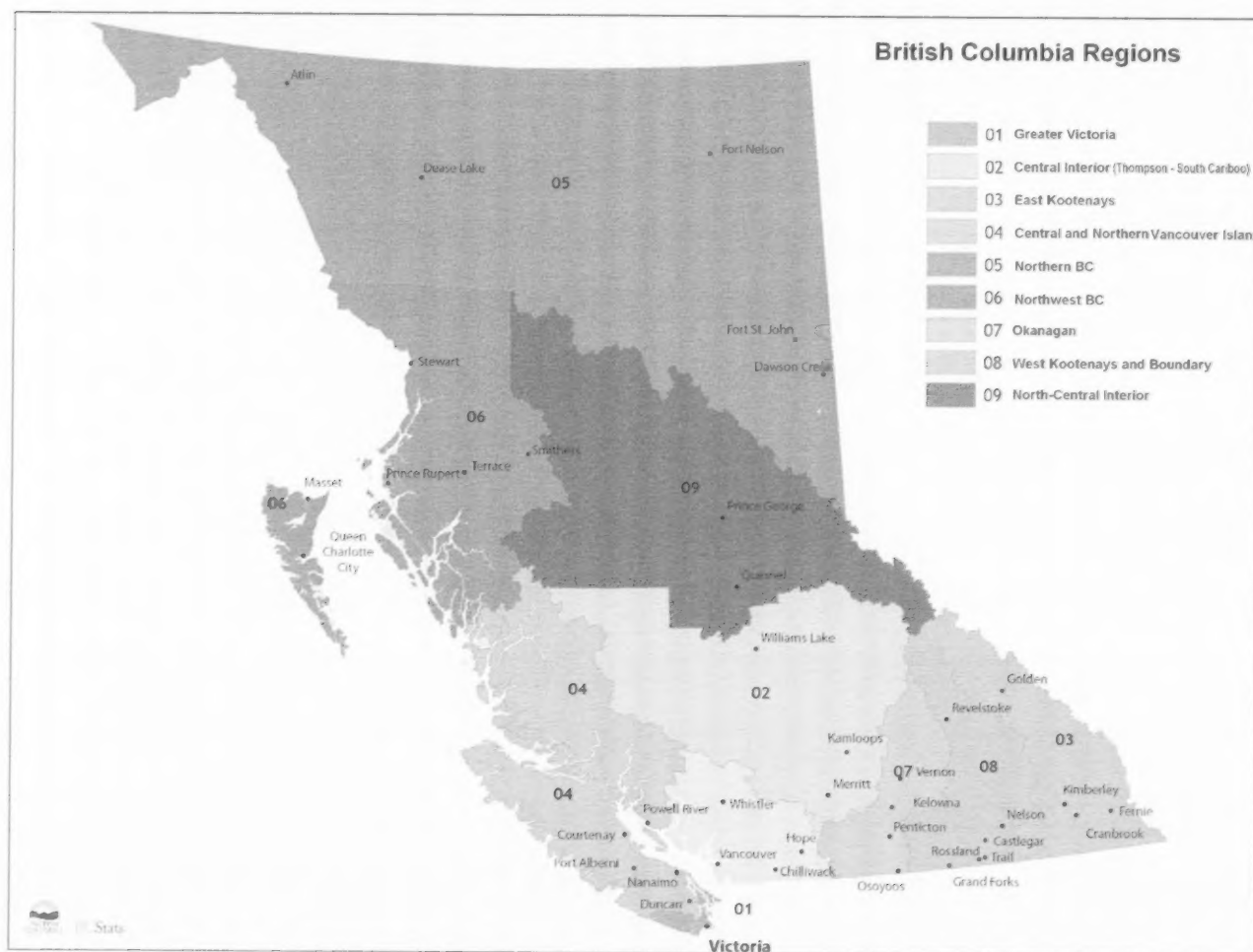
### PRINCIPAL PARTNERS, CLIENTS AND STAKEHOLDERS; DELIVERY OF SERVICES

BCIC designs, develops and implements many of its programs and services in conjunction with its delivery partners. All of its delivery partners are not-for-profit organizations with a regional development focus or with an affiliation with an educational institution. Many of BCIC's regional partners have successfully developed funding sources from local economic development agencies and other levels of government. This leveraged funding is critical to program success and sustainability.

BCIC also has a unique role in facilitating partnerships between academia and industry to solve real world problems through direct and applied research. Such partnerships result in increased commercial activity.

BCIC also engages with Federal and other Provincial Government agencies, research institutions, industry and regional groups to coordinate and enhance its programs.

BCIC will continue to pursue partnerships across all regions in British Columbia. BCIC generally defines regions according to the distribution of post-secondary institutions in the province. Regions as defined by BCIC are indicated in the map in Figure 1.



## OVERVIEW OF CORE BUSINESS AREAS

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### PARTNER SELECTION

BCIC's partners have well established relationships with BCIC and with the communities and stakeholders they serve. BCIC is committed to building and enhancing these partner relationships to support its strategic goals. When a region or technology area is identified as an opportunity for a program, BCIC uses an open competitive Request for Proposals process to select a new delivery partner.

### LOCATION OF OPERATIONS

BCIC's office is located at the Leading Edge Technology Centre in downtown Vancouver in close proximity to several key technology industry associations and other complementary organizations. Locating in such an environment allows BCIC further collaboration opportunities.

The Leading Edge Technology Centre is on the 9th floor, 1188 West Georgia Street, Vancouver, British Columbia V6E 4A2.

## OVERVIEW OF CORE BUSINESS AREAS

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### BCIC STRATEGIC GOALS

BCIC has adopted three strategic goals to facilitate the following:

- Commercializing Innovative Technology
- Developing and Enhancing Entrepreneurial Skills
- Focusing Resources on Entrepreneurs who will Build their Companies in British Columbia

### GOAL 1: COMMERCIALIZING INNOVATIVE TECHNOLOGY

Commercialization is an entrepreneurial activity that takes a technology or intellectual property and creates a business around it. BCIC's goal of facilitating the commercialization of innovative technology is supported by its network of acceleration programs, programs that develop entrepreneurial talent at the post-secondary level and support of events that increase the number of entrepreneurs and new business opportunities across British Columbia. Specifically, BCIC is:

#### a. Building a network of venture acceleration programs

BCIC is building a network of venture acceleration programs to increase the success rate of early-stage companies. For example:

- In 2012, BCIC launched the **BCIC Acceleration Network**, a province-wide alliance of regional partners delivering a structured venture growth program to technology entrepreneurs in all corners of British Columbia. Through the BCIC Acceleration Network, new and early-stage technology companies throughout the province gain access to highly qualified entrepreneurial expertise and know-how. In 2012 the program was delivered in the Okanagan and Victoria, with expansion plans in place to serve the Lower Mainland, West Kootenays, Central Interior and Central/Northern Island in 2013.

#### b. Implementing programs to support entrepreneurial talent development

BCIC will also deliver programs that encourage entrepreneurial talent development at British Columbia's universities and colleges. For example:

- In partnership with Mitacs, a national not-for-profit research organization that delivers research and training programs to innovators, BCIC delivers the **BCIC-Mitacs Commercialization Voucher Program**. Launched in 2012, this pilot program is designed to help British Columbia businesses rapidly bring their ideas and products to market. The program enables companies to retain a graduate student from a British Columbia-based Post-Secondary Research Institution for commercialization assessments on new products or services, or new market opportunities for existing products or services.

#### c. Sponsoring and promoting entrepreneurial events

BCIC is sponsoring and promoting conferences, competitions and events that expand the number of entrepreneurs and new business opportunities across British Columbia. For example:

- BCIC is a silver sponsor of **GROW**, an annual technology conference that takes place over a one week period. GROW provides valuable learning to attendees and aims to inspire innovation and entrepreneurship. Featuring thinkers, influencers and investors from Silicon Valley and Canada, GROW brings together more than 800 people including founders, investors, entrepreneurs, bloggers, developers, designers and more. The event has earned the reputation of being Canada's leading technology conference.

#### d. Natural Resources and Applied Science Research Endowment (NRAS).

- BCIC will continue as the custodian of the \$50 million **Natural Resources and Applied Science Research Endowment (NRAS)** originally provided by the Government of British Columbia in 2005/06 to build research and development, advanced training, funding program to emerge from the endowment was the **NRAS Research Team Program**, developed collaboratively by BCIC and BCFRST in 2009. In 2011, a mid-point review of the program indicated

## OVERVIEW OF CORE BUSINESS AREAS

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funding program to emerge from the endowment was the **NRAS Research Team Program**, developed collaboratively by BCIC and BCFRST in 2009. In 2011, a mid-point review of the program indicated that all 24 projects reported potential industrial applications for their research, with 22 specific to BC.

The endowment continues to earn interest and, once sufficient interest has grown, BCFRST may deliver further programs.

### GOAL 2: DEVELOPING AND ENHANCING ENTREPRENEURIAL SKILLS

BCIC works with its program partners to help British Columbians to become successful entrepreneurs.

#### a. Providing training to support early-stage entrepreneurs to commercialize their concepts

BCIC is identifying and providing relevant knowledge and training to support early-stage entrepreneurs to commercialize their innovations. For example:

- The **BCIC Mentor Program**, a province-wide entrepreneurial development program for founders and CEOs of British Columbia technology ventures has been offered by BCIC since its launch in 2011. Modeled on the very successful MIT Venture Mentoring Service, the BCIC Mentor Program adopts best practices from ACETECH's Growth Strategy Program, which delivers tools and peer mentoring to CEOs of technology companies in order to improve their effectiveness as leaders. Program participants are early-stage startups with a goal to progress and grow. By delivering expert guidance and timely support in developing their ventures, the program improves the success of participating entrepreneurs and helps them take their companies to the next level.

#### b. Working with partners to provide training for emerging entrepreneurs

BCIC continues to partner with educational institutions and industry organizations to provide relevant knowledge and training for emerging entrepreneurs. For example:

- BCIC will continue to be involved as a lead funder for programs developed by BCIC and the universities to provide a competitive academic pathway to entrepreneurship for third- and fourth-year business and applied sciences students. An example of existing and future programs is the **entrepreneurship@SFU program**, which provides the skills, mentorship and resources to build upon innovative ideas and develop successful new ventures. Students are expected to produce a business plan, design and prototype their product/system, complete steps to launch a successful business and obtain a lead customer. Students also take courses in business, engineering, entrepreneurship, innovation and commercialization and will have access to mentorship from industry experts, a scholarship award and other resources.

#### c. Competitions and conferences for entrepreneurs

BCIC provides sponsorship funding and other support to various entrepreneurial events and competitions:

- **BCIC New Ventures Competition:** An annual competition for emerging entrepreneurs that has operated in British Columbia since 2001. Based on a 2012 assessment of the Competition, at least 56% of all ventures that reached round three survived in some form, creating more than 3,000 new jobs and nearly \$200 million in new revenue. The assessment also showed that these ventures filed over 800 patents and launched over 1000 unique products.
- **Other Events:** BCIC sponsors the GROW Conference (Vancouver), Metabridge (Kelowna) and a number of other entrepreneurial conferences and events. These events give entrepreneurs an opportunity to meet other entrepreneurs and to develop contacts and network with potential financiers and customers. Feedback from the entrepreneurial community has been consistently positive for these events.

## OVERVIEW OF CORE BUSINESS AREAS

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### GOAL 3: FOCUSING RESOURCES ON ENTREPRENEURS WHO WILL BUILD THEIR COMPANIES IN BC

BCIC invests in opportunities for startups who will build their companies in British Columbia.

**a. Working with partners to preserve British Columbia taxpayer resources to support entrepreneurs who can achieve success while maintaining their operations in British Columbia**

BCIC works with partners to focus program resources on early-stage entrepreneurs who are able to obtain customers without leaving British Columbia:

- A key performance measure for programs funded by BCIC is an assessment by the delivery partner of the ability of an applicant to create a successful and sustainable business in British Columbia. British Columbia is a great place to be an entrepreneur, but for some opportunities, it's clear from the start that a different path to success is appropriate. BCIC's program partners are encouraged to make applicants aware of alternative strategies when it's clear that creating a successful business in British Columbia will be challenging because of customer access, regulatory, financial or logistical reasons.

## GOALS, OBJECTIVES, KEY STRATEGIES, MEASURES AND TARGETS

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### BCIC GOALS AND PERFORMANCE MEASURES

In consideration of the results of the 2011 mandate review, BCIC has adjusted its goals and measures as of 2013-2014. As a result, three previous measures are retired, one is refined, and three new measures are introduced. When results are published, BCIC's performance measures for 2013-2014 will be broken down by industry sector, region and company stage. In addition, BCIC will provide numbers that indicate the number of participating companies in BCIC-funded programs and the number of jobs supported by BCIC-funded programs.

BCIC continues to work with industry, government and the province's academic institutions to identify opportunities and gaps in its strategies directed at developing entrepreneurs and promoting the commercialization of technology. Once identified, BCIC works with partners to address these needs through the development and refinement of initiatives.

BCIC plays an integral role in helping shape the development of British Columbia's knowledge economy. Because this role is so fundamental for future job growth and economic development in British Columbia, BCIC considers it critical to have accurate performance measures to track its progress in fulfilling its mandate.

### RETIRED MEASURES

To align its measurement systems with its renewed Mandate, BCIC has retired some previous measures, including:

- The number of Action Plans completed by BCIC for technology entrepreneurs that will directly advance their early-stage commercialization skills and improve their chances for commercial success.
  - This measure has been retired because the tasks being measured are included in the new performance measure, Health Score of Ventures in BCIC Acceleration Network.
- The number of key Startup Growth Components achieved by entrepreneurs who have been directly supported through BCIC's programs and services.
  - This measure has been retired because the tasks being measured are included in the new performance measure, Health Score of Ventures in BCIC Acceleration Network.
- The number of technology success stories, promoted by BCIC, published through print, digital, broadcast and social media, industry associations and other channels.
  - Although BCIC continues to promote BC as a great place to be a technology entrepreneur, BCIC's goals and objectives for 2013-14 are more focused on results than on activities.

### GOAL 1: COMMERCIALIZING INNOVATIVE TECHNOLOGY

#### **Commercializing innovations to strengthen British Columbia's global competitive position**

BCIC supports programs and initiatives that help innovations reach the market. The net result will be a more vibrant economy and more high quality jobs for British Columbians.

#### **Objectives**

- To increase the number of successful new businesses created in British Columbia.
- To improve the growth rate and survivability of small and medium-sized (SME) businesses located in British Columbia.

#### **Strategies**

- Build a network of venture acceleration programs to increase the success rate of early-stage companies.
- Implement programs to support entrepreneurial talent development at British Columbia's universities and colleges.
- Sponsor and promote conferences, competitions and events that expand the number of entrepreneurs and new business opportunities across British Columbia.

## GOALS, OBJECTIVES, KEY STRATEGIES, MEASURES AND TARGETS

### Measure 1: Patent-Protected innovations and Trade Secrets

The percentage of ventures in BCIC-funded programs with patent protection for their innovations or have taken a structured approach to maintaining trade secrecy.

| Targets  |         |         |
|----------|---------|---------|
| 2013/14* | 2014/15 | 2015/16 |
| 50%      | 55%     | 60%     |

\* This is a new measure. BCIC's performance on this measure will be reported in the 2013/14 Service Plan Report.

#### Description of Measure

Expressed as a percentage, this measure represents how many ventures in BCIC-funded programs have protected their intellectual property or have registered a trade secret compared to how many have not. Data for this measure will be gathered via required progress reports from program partners. The target for each year is based on data gathered for all ventures participating in BCIC-funded programs. Venture acceleration programs emphasize the importance of patents and trade secrets, considering it a strength for entry into the program. Companies that are accepted without patents or trade secrets will be encouraged where appropriate to do so.

#### Importance of Measure

BCIC supports programs and initiatives that help innovative technologies reach the market. A secured patent demonstrates the innovative nature of a startup's technology. A product based on a novel technology tends to have a stronger chance of competing against established competitors because it can offer differentiated value to customers. Companies with patented Intellectual Property are better able to defend their innovation when they become successful in the market. By encouraging the use of patents and trade secrets, venture acceleration programs will improve the growth rate and survivability of small and medium-sized (SME) businesses located in British Columbia.

### GOAL 2: DEVELOPING AND ENHANCING ENTREPRENEURIAL SKILLS

#### Building better entrepreneurs for British Columbia

BCIC works with its program partners to help British Columbians to become successful entrepreneurs.

##### Objective

- To improve early-stage commercialization skills of entrepreneurs in the British Columbia science and technology community. Examples of these skills include business management, leadership, ability to communicate with investors, customers and other stakeholders.

##### Strategies

- Identify and provide relevant knowledge and training to support early-stage entrepreneurs to commercialize their concepts.
- Partner with educational institutions and industry organizations to provide relevant knowledge and training for emerging entrepreneurs.

## GOALS, OBJECTIVES, KEY STRATEGIES, MEASURES AND TARGETS

### Measure 2: Health Score of ventures in BCIC Acceleration Network

The overall level to which BCIC clients have a solid business foundation for the success of their companies

| Targets  |         |         |
|----------|---------|---------|
| 2013/14* | 2014/15 | 2015/16 |
| 60       | 65      | 70      |

\* This is a new measure. BCIC's performance on this measure will be reported in the 2013/14 Service Plan Report.

#### Description of Measure

This measure presents an overall score out of a possible 100 points on the level to which ventures in the BCIC Acceleration Network have a solid business foundation for the success of their ventures. The score is determined by a set of indicators identified by BCIC as important elements for a venture to progress. Different indicator sets are used for ventures in different stages of growth. Examples of indicators include whether the venture:

- is meeting critical milestones as agreed upon with their Executive-in-Residence;
- has enough cash to meet growth objectives;
- has a customer-validated product-market fit;
- is seeing an increase in revenue year-over-year that exceeds 25%; and
- is seeing an increase in profit year-over-year that exceeds 25%.

Data for this measure will be gathered via required progress reports from program partners. Targets for this measure are set by a baseline that has been established via an assessment of approximately 75 early-stage ventures enrolled in BCIC programs during 2012/2013

#### Importance of Measure

BCIC activities support job creation in BC. To do so, it is essential that startups in BCIC-funded programs progress from early-stage ventures to larger mature companies with job opportunities. The BCIC health score reflects the level to which startups in BCIC-funded programs are on track to progress into companies that will experience job growth. The measure is designed so that the higher a venture's health score, the greater its likelihood of commercial success.

### Measure 3: Participant evaluation of the effectiveness of BCIC's programs and services

The percentage of participants in BCIC-funded programs who confirm that BCIC's programs have a high value impact in advancing their technology venture

| Actuals | Targets          |          |         |         |
|---------|------------------|----------|---------|---------|
|         | 2012/13 Forecast | 2013/14* | 2014/15 | 2015/16 |
| 93.66%  | 90%              | 90%      | 90%     | 90%     |

\*This measure is the same measure that was formerly entitled *Satisfaction Rating of BCIC's Programs and Services*. While it is the same measure, it is assessing programs that are substantially different than the programs measured in prior years. The results will vary because the programs are not comparable.

#### Description of Measure

This measure provides a percentage of participants in BCIC-funded programs who report a high value impact on their personal development as entrepreneurs and/or making their technology venture more successful. This measure is based on sample surveys where high value impact is defined as a value of 7 or more on a 10-point evaluation scale. Data for this measure is gathered via required progress reports from program partners. Performance targets are based on similar past BCIC surveys. Targets have been adjusted upward from the previous forecast, based on results observed over the last two years.

## GOALS, OBJECTIVES, KEY STRATEGIES, MEASURES AND TARGETS

### Importance of Measure

Confirmation from entrepreneurs that BCIC-funded programs enable their ventures to progress, adds perspective to how BCIC measures its progress. BCIC's goal is to support programs that provide high value to technology entrepreneurs, equipping them with the knowledge and tools to advance their technologies. Evaluation results enable BCIC to assess how well it is delivering on its mission. Reports from the participants of BCIC-supported programs and services will help to shape, refine and improve BCIC offerings and position BCIC as an integral component to the growth and success of its client companies.

### GOAL 3: FOCUSING RESOURCES ON ENTREPRENEURS BUILDING SUSTAINABLE COMPANIES IN BRITISH COLUMBIA

#### Investing in entrepreneurs who are positioned to grow within British Columbia, resulting in long-term rewards for British Columbia

BCIC invests in opportunities for startups who will build their companies in British Columbia.

#### Objective

- To increase the number of successful new businesses that will remain in British Columbia for the long term.

#### Strategies

- Work with program partners to focus program resources on entrepreneurs who can achieve early customer acquisition while maintaining base operations in British Columbia.

#### Measure 4: Entrepreneurs who can build a successful venture based in British Columbia

The percentage of participants in BCIC-funded programs that are assessed as being able to be successful in their venture without needing to leave British Columbia to do so

| Future performance targets |         |         |
|----------------------------|---------|---------|
| 2013/14*                   | 2014/15 | 2014/15 |
| 80%                        | 85%     | 90%     |

\* This is a new measure. BCIC's performance on this measure will be reported in the 2013/14 Service Plan Report.

#### Description of Measure

This measure is based on the experience and knowledge of the Entrepreneurs in Residence and Mentors who evaluate the opportunities they're supporting. Data for this measure will be gathered via required progress reports from program partners. Targets for this measure are based on the aspirational assumption that BCIC-funded programs can increase the number of participants able to build a successful company located in British Columbia, by including it as a standard consideration for entry into the program.

#### Importance of Measure

Entrepreneurs with early stage innovative concepts and business ventures are highly mobile. For many, it is tempting to move to new locations outside of British Columbia to be near their key customers, suppliers or financiers. Of the three prime relationships, the most compelling is that with customers, the ultimate source of value in an entrepreneurial venture. BCIC assesses the likelihood that a venture will stay in British Columbia to avoid committing taxpayer resources to ventures that are destined to create jobs elsewhere.

## GOALS, OBJECTIVES, KEY STRATEGIES, MEASURES AND TARGETS

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### PERFORMANCE MANAGEMENT SYSTEMS

BCIC's performance management system is designed to provide efficient and practical measurements of BCIC's goals. The measurements chosen are quantifiable. This results-focused approach will enable BCIC to see when targets are met, objectives are achieved and assess whether changes to programs and strategies are necessary.

The success of BCIC programs will be measured via the following:

- **Surveys:** Issued to program participants by program leaders via email on a bi-annual basis.
- **Progress Reports:** BCIC gathers information via progress reports submitted by program leaders.

Management is confident of the operational data utilized in reporting the results of its activities. BCIC's sources of data include in-house records maintained through electronic databases and progress reports submitted by program partners. As a condition of support to partners, BCIC requests appropriate records be maintained and reported.

Data is collected throughout the year depending on the activity and verified according to established reporting guidelines to ensure consistency from past years and across similar activities.

While accuracy is limited by human error, BCIC verifies questionable data as part of the monitoring process for reports submitted externally.

When results are published, BCIC's performance measures for 2013-2014 will be broken down by industry sector, region and company stage.

### BENCHMARKING

As BCIC reviews and develops its focus areas, it will investigate similar jurisdictions that are currently focusing on entrepreneurial talent development and the commercialization of technologies. As an example, when developing BCIC performance measures, BCIC examined the use of performance measures by organizations with similar activities:

- **Alberta Innovates - Technology Futures:** Technology Futures supports research and innovation activities directed at the growth and development of technology-based sectors, the commercialization of technology, the provision of business and technical services, and initiatives that encourage a strong science, technology and entrepreneurial culture in Alberta.
- **Communitech:** Communitech is a not-for-profit organization that supports technology companies in the Waterloo Region and that promotes the region as a technology cluster.
- **Innovation Place:** Saskatchewan Opportunities Corporation: Saskatchewan Opportunities Corporation (SOCO) operates under the registered business name of Innovation Place. SOCO is a Saskatchewan Crown corporation with a direct reporting relationship to the provincial government through the Crown Investments Corporation.

SOCO's mission is to support the growth and success of Saskatchewan's technology sector. It fulfills this mission through the development and operation of research parks on the campuses of the province's universities in Saskatoon and Regina, and through the forest sector building in Prince Albert.

- **MaRS:** Located in Ontario, MaRS is a charitable organization with a mission to help create successful global businesses from Canada's science, technology and social innovation. MaRS provides resources — people, programs, physical facilities, funding and networks — to ensure that critical innovation happens. MaRS stimulates, identifies and harnesses great ideas, nurtures their development and guides the transformation of those ideas into reality.
- **Ontario Centre for Excellence – Centre for Commercialization Research:** The Centre for Commercialization of Research (CCR) generates economic benefits for Canada through the successful commercialization of ideas emerging out of research from publicly funded Canadian academic and research institutions. CCR works exclusively with high-potential early-stage entrepreneurs and innovative enterprises to help them advance to the next level.
- **Saskatchewan Research Council:** The Saskatchewan Research Council (SRC) is one of Canada's leading providers of applied research, development and demonstration (RD&D) and technology commercialization.
- **Techstars:** A technology business accelerator with locations across the US, Techstars provides seed funding to startups with funds from top venture capital firms and angel investors.

BCIC will consider best practices in programs and strategic policies that will help develop and improve its service in British Columbia.

## GOVERNMENT'S LETTER OF EXPECTATIONS

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The Government's Letter of Expectations (the Letter) between the Ministry of Advanced Education, Innovation and Technology (Government's representative) and BCIC is an agreement on the parties' respective accountabilities, roles and responsibilities. The Letter confirms BCIC's mandate and priority actions, articulates the key performance expectations as documented in the Government's Expectations Manual for British Columbia Crown Agencies[1], and forms the basis for the development of BCIC's Service Plan and Annual Service Plan Report. The Letter does not create any legal or binding obligations on the parties and is intended to promote a co-operative working relationship. For the 2013/14 fiscal year, Government has directed BCIC to take the following specific actions:

## GOVERNMENT'S LETTER OF EXPECTATIONS

| Government's Letter of Expectations                                                                                                                                                                                                          | BCIC Alignment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| In keeping with the 2013/14 Letter of Direction to BCIC, continue to work in partnership with Government on the full implementation of the approved recommendations of the British Columbia Innovation Council Mandate Review, including:    | BCIC will continue to work in partnership with Government on the full implementation of the approved recommendations of the British Columbia Innovation Council Mandate Review, including:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <ul style="list-style-type: none"> <li>• Continue to strengthen corporate governance and accountability by ensuring consistency with the Board Resourcing and Development Office (BRDO) policies and best practices;</li> </ul>              | <ul style="list-style-type: none"> <li>• BCIC will continue to ensure consistency with the Board Resourcing and Development Office (BRDO) policies and best practices;</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <ul style="list-style-type: none"> <li>• Develop outcome-based metrics, aligned with the BC Jobs Plan, to assess the effectiveness of BCIC programs and initiatives; and</li> </ul>                                                          | <ul style="list-style-type: none"> <li>• BCIC has developed three new outcome-based measures for 2013/14. All four measures used by BCIC for 2013/14 serve to measure aspects of participating companies' ability to progress toward job creation.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <ul style="list-style-type: none"> <li>• Build partnerships and diversify programming in order to strengthen entrepreneurship development in the priority sectors and support regional expansion as outlined in the BC Jobs Plan.</li> </ul> | <ul style="list-style-type: none"> <li>• BCIC will continue to maintain and build relationships with program partners. BCIC's Cross-Sector Strategy will enable BCIC to diversify programming into the priority sectors. In addition, the BCIC Acceleration Network is an initiative that supports regional expansion of BCIC-funded activities.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Ensure BCIC programs are aligned with the BC Technology Strategy and collaborate with Government to develop and implement initiatives that directly support and accelerate commercialization in British Columbia.                            | <p>BCIC programs are aligned with the actions outlined for BCIC in the BC Technology Strategy. Specifically, BCIC will:</p> <ul style="list-style-type: none"> <li>• Provide commercialization and entrepreneurship support through BCIC's entrepreneurship@ and mentorship programs. BCIC also provides same support through its venture acceleration programs.</li> <li>• Facilitate the expansion and ongoing development of regional innovation networks. The BCIC Acceleration Network is the primary initiative driving the expansion in 2013/14.</li> <li>• Introduce a British Columbia commercialization voucher program to encourage qualified small and medium-sized enterprises to partner with British Columbia public post-secondary institutions to accelerate commercialization of British Columbia innovations. The pilot of the BCIC-Mitacs Voucher Program was launched in November 2012 and will continue to be delivered in 2013/14.</li> </ul> <p>BCIC will also continue to collaborate with Government to develop and implement initiatives that directly support and accelerate commercialization in British Columbia.</p> |
| Meet quarterly with Government to provide progress reports on the actions above and discuss specific goals and performance measures.                                                                                                         | BCIC will continue to meet quarterly with Government to provide progress reports on the actions above and discuss specific goals and performance measures.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

[1] The Province of British Columbia's Crown Agency Accountability System (<http://www.gov.bc.ca/caro/publications/index.html>) establishes guiding principles for the governance of Crown corporations. The Government's Expectations Manual identifies roles and responsibilities for the Government and Crown corporations, and provides for a Government's Letter of Expectations (Letter) to be developed.

## SUMMARY FINANCIAL OUTLOOK

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BCIC's core operations and activities are funded by the Province through the Ministry of Advanced Education, Innovation and Technology. BCIC leverages these funds to secure additional funds from other sources for projects, programs and initiatives. The other sources may include organizations within the federal and provincial governments as well as private, public and non-profit science and technology organizations.

### KEY FORECAST ASSUMPTIONS

- The forecast revenues are presented under current Government financial requirement guidelines.
- Provincial funding is anticipated to remain consistent over the next three years. The funding for BCIC is reviewed annually through the budget process.
- The number of full time equivalent (FTE) staff is expected to remain stable for the next three years.
- In 2012, BCIC received two gifts, one of \$7 million and one of \$2.25 million, and a further asset transfer of \$1.25 million from the Leading Edge Endowment Fund ("LEEF"), all of which are recorded as deferred program revenue under Public Sector Accounting Standards. LEEF is closing its operations and winding up at the end of December 2012.
- In 2012, BCIC entered into a contract with Mitacs to develop and deliver the pilot BCIC-Mitacs Commercialization Voucher Program, and up to \$1 million has been committed from the \$7 million LEEF gift for this program in fiscal year 2012-2013. The forecast in subsequent three years assumes that BCIC will continue to disburse the \$7 million LEEF gift until it is exhausted.
- The remaining funds from LEEF are for research chairs at British Columbia research universities and to cover expenses after LEEF winds up its operations. The forecast assumes that BCIC will disburse the remaining LEEF research chair funds until they are exhausted.
- Interest earned on investments is forecast to remain steady for the next three years.
- BCIC does not receive funding from the Province to provide flow-through support funding for regional science and technology councils and the network of university industry liaison offices ("UILO"s). However, BCIC will work with all the regional partners and UILOs across the Province to develop programs that the UILO's and partners can deliver in support of BCIC's mandate.
- BCIC budgeted \$425,000 of its annual provincial funding to support the operation of the Premier's Technology Council ("PTC").
- BCIC is the custodian of the \$50 million Natural Resources and Applied Science Research Endowment ("NRAS") originally provided by the Government of British Columbia in 2005/06 for the support of training, research and development in natural and applied sciences. The Endowment capital is preserved and investment income earned from the Endowment Fund is transferred by BCIC under a Memorandum of Understanding to the BCFRST Foundation. The program expenditures are provided in the financial summary table below. The detail financial summary related to the Natural Resources and Applied Science Research Endowment Fund is presented in a separate summary chart.
- BCIC will use current year funding from the Government of British Columbia to fund expenses that are not covered by LEEF and NRAS funds.

### FORECAST RISKS AND SENSITIVITIES

If there are further changes to the level of funding BCIC receives from the Ministry of Advanced Education, Innovation and Technology, BCIC's ability to leverage Ministry funds to finance projects, programs and initiatives from other sources may be affected. Such sources may include various organizations within the federal and provincial governments as well as private, public and not-for-profit science and technology organizations. Revenues from all program funders depend on those funders' activities and plans.

### FUTURE FINANCIAL OUTLOOK

- BCIC's programs will be primarily funded by the core funding from the Province. BCIC will align its funding in programs that meet its mandate. BCIC will work all the regional partners, UILOs and various organizations across the Province to develop and deliver programs that accelerate the commercialization of technology and development of entrepreneurs.
- BCIC will only have limited access to its "Surplus & Deferred Revenue" (funds accumulated from past years that were not spent and have been directed to future programs) and therefore, the funds that are restricted have not been budgeted for in BCIC's forecasts; however, if economic conditions improve, the use of these funds can be reviewed in future years.
- Interest returns on investments remain low under the current economy, and it is unlikely that the interest rates will change significantly over the next three years.

## SUMMARY FINANCIAL OUTLOOK

| (In \$ thousands)            | Actual<br>2011/2012 | Forecast<br>2012/2013 | Budget<br>2013/2014 | Forecast<br>2014/2015 | Forecast<br>2015/2016 |
|------------------------------|---------------------|-----------------------|---------------------|-----------------------|-----------------------|
| <b>Revenue</b>               |                     |                       |                     |                       |                       |
| Province of British Columbia | 9,650               | 6,150                 | 6,090               | 6,090                 | 6,090                 |
| Internal Program Funding (1) | -                   | 1,000                 | 5,500               | 2,000                 | 2,000                 |
| NRAS Endowment               | 568                 | -                     | 1,000               | 1,000                 | 1,000                 |
| Interest & Other             | 124                 | 288                   | 125                 | 125                   | 125                   |
| <b>Total Revenue</b>         | <b>10,342</b>       | <b>7,438</b>          | <b>12,715</b>       | <b>9,215</b>          | <b>9,215</b>          |
| <b>Expenses</b>              |                     |                       |                     |                       |                       |
| Programs and Initiatives (2) | 7,430               | 5,858                 | 9,977               | 6,466                 | 6,459                 |
| NRAS Endowment               | 568                 | -                     | 1,000               | 1,000                 | 1,000                 |
| Salaries and Benefits        | 1,392               | 1,017                 | 1,192               | 1,192                 | 1,192                 |
| Rent                         | 418                 | 220                   | 237                 | 237                   | 237                   |
| Amortization                 | 48                  | 40                    | 40                  | 45                    | 45                    |
| Other Operating Costs (3)    | 485                 | 303                   | 269                 | 275                   | 282                   |
| <b>Total Expenses</b>        | <b>10,341</b>       | <b>7,438</b>          | <b>12,715</b>       | <b>9,215</b>          | <b>9,215</b>          |
| Net Income                   | 1                   | 0                     | 0                   | 0                     | 0                     |
| Retained Earnings (4)        | 56,449              | 56,449                | 56,449              | 56,449                | 56,449                |
| Capital Expenditures (5)     | 13                  | 35                    | 50                  | 50                    | 50                    |

### Notes:

Note 1: Internal Program Funding is drawn from deferred program revenues relating to assets gifted with restrictions from the Leading Edge Endowment Fund.

In principle, BCIC's auditors support management's decision to defer this funding. However, financial statements are subject to final audit at the close of FY 2012/13.

Note 2: Programs and initiatives include contributions made to develop and support programs that align with our mandate such as the BCIC Acceleration Network and Commercialization Voucher Program.

Programs and initiatives dropped off in 2014/15 because the 2 research chair funds in the amount of \$3.5 million received from Leading Edge Endowment Fund are expected to be fully disbursed in 2013/14.

Note 3: Other operating costs include legal and contracting services, meetings, travel & networking and office expenses.

Note 4: Retained Earnings include \$50 million of NRAS Endowment Fund capital.

Note 5: Capital Expenditures represents the costs of new computer equipment, software licences and implementing IT infrastructure.

Note 6: The above financial information, including forecast information, was prepared based on current Public Sector Accounting Standard (PSAB), which was adopted on April 1, 2010.

## SUMMARY FINANCIAL OUTLOOK

| (In \$ thousands)                     | Actual<br>2011/2012 | Forecast<br>2012/2013 | Budget<br>2013/2014 | Forecast<br>2014/2015 | Forecast<br>2015/2016 |
|---------------------------------------|---------------------|-----------------------|---------------------|-----------------------|-----------------------|
| NRAS Endowment Fund                   | 50,000              | 50,000                | 50,000              | 50,000                | 50,000                |
| Interest Accumulated, beginning       | 76                  | 502                   | 1,492               | 1,492                 | 1,492                 |
| Annual Investment income              | 994                 | 990                   | 1,000               | 1,000                 | 1,000                 |
| Program & administrative expenditures | (568)               | -                     | (1,000)             | (1,000)               | (1,000)               |
| Forecast Interest Balance             | 502                 | 1,492                 | 1,492               | 1,492                 | 1,492                 |

## APPENDIX A: CALCULATION OF THE BCIC STARTUP HEALTH SCORE

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### Background

BCIC's activities support the Province's goal to create jobs in BC. BCIC funds programs and services targeted to technology startups, providing them with the tools to become job-creating SMEs and large anchor companies.

In order for startups to become SMEs and large anchor companies, they must be able to progress from a company with an idea to a company with a growing customer base. A particularly challenging hurdle for many is to achieve the transition from serving a small group of early technology adopters to being widely adopted by mainstream customers. This difficult transition is often referred to as the "Chasm", after the popularity of Geoffrey A. Moore's 1991 book, *Crossing the Chasm*, and it requires that ventures be adequately prepared.

BCIC supports programs and services that provide startups with the tools (training, knowledge, services, infrastructure) to cross the chasm. In the long-term, BCIC's activities contribute to job creation in BC.

### Health Score

How does BCIC know if its programs and services are attaining the goal of helping startups advance? The Startup Health Score is a useful method.

### Description

The Startup Health Score takes into account a number of factors that are important or vital to the progress of an early stage company. While there are many elements to consider when evaluating the strength of a startup, BCIC has selected a subset and assigned weighting based on observed correlation of these particular factors with company viability. If a startup is weak in one of the selected vital areas, its score will be low. If a startup is strong on all points, its score will be high.

The strength of each venture's score can be determined by the scale in Figure 1. A strong score that indicates a venture is on track to progress is classified as green. A lower score that indicates a venture is having difficulty but is expected to get back on track to progress is classified as yellow. A low score alerts that a company is off track is classified as red.

The BCIC Startup Health Score is derived from the average score of all ventures in BCIC accelerator programs

### Company Stage and Weighting

Early stage companies can be categorized as falling into five different stages of progress as listed in Table 1. Factors considered in a startup's health score are different for each stage. Similarly, the importance of a factor in the success of a company may be greater or less depending on the stage of the company. The importance of a factor is indicated in Table 1 by the weight given to that factor in the calculation of the score.

### Indicators

Factors taken into account are listed in Table 1. Following is an explanation for each indicator and its corresponding weight:

Customer-validated product-market fit: Testing ideas by speaking to potential customers is important for early-stage ventures. Doing so will determine whether there is a market for their product. It is a key objective of the Product Validation stage and so is assigned a significant weight. For ventures in the Market Validation stage, it is assigned a lighter weight. Ventures in the subsequent stages are not scored on this indicator, as it is assumed in the other metrics, such as profitability and an increase in paying customers.

Customer-validated business model: Establishing a business model that has been validated by speaking to customers is an important milestone, indicating that the venture has validated its sales process and other assumptions built into its business model. This is a key objective of ventures at the Market Validation stage and is an important goal for ventures in the Product Validation and Market Penetration stages. The final proof of a customer-validated business model is increasing revenue from customers, thus this measure is not explicitly rated at the Market Expansion stage.

## APPENDIX A: CALCULATION OF THE BCIC STARTUP HEALTH SCORE

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Meeting agreed-upon critical milestones: A critical indicator for venture success, particularly for startups in the Idea and Product Validation stages. Ventures that have not achieved important milestones are likely experiencing serious challenges and are less likely to progress to maturity. As well, skipping an essential milestone could have fatal results for the venture. For example, a startup in the Idea stage that is on track to progress, will achieve milestones such as identifying real problems or needs that customers want to solve, determining the key features that customers value, identifying early adopter customers willing to test their product offering. A startup that has not completed such steps is likely to have difficulty becoming a commercial success. The indicator is reported to BCIC by mentors and Executives-in-Residence who work closely with the startup and are in a position to assess whether critical milestones have been achieved. This indicator has a considerable weight for ventures in the Idea stage and a medium weight for ventures in the subsequent stages.

Has enough cash to meet growth objectives: Having sufficient funding is critical for ventures to realize their goals. Startups are scored on whether they have the necessary funding in place to continue operations. Funding typically comes from operations (often from pre-existing business) or from investors. While not a determining factor for success, the ability to raise money from investors is often a good indication that the venture is able to articulate its value proposition and business model and generally correlates with an increased likelihood of success. While this indicator does not differentiate between the sources of funding, a high score at later stages often indicates that the venture has raised capital from investors. This indicator carries considerable weight for startups in the Idea and Product Validation stages and a lighter or medium weighting is assigned for the others.

Repeat entrepreneur: Repeat entrepreneurs have the benefit of experience, informing their decisions and increasing their ability to drive their venture forward. Experience is a contributing factor to the likelihood of whether a startup will move forward and is assigned a medium weight for Idea and Product Validation stage ventures; however, it is not a determining factor, and is weighted lightly for startups that have passed those stages.

Venture's IP is protected (normally by patents): A secured patent demonstrates the innovative nature of a startup's technology. Early stage companies that offer a product based on a novel technology tend to have a stronger chance of competing against established competitors because they can offer differentiated value to their customers. Differentiation is necessary as it enables startups to offer something new to the market, thus standing out from established competitors. Secondly, if the differentiator is difficult to replicate, it will be difficult for competitors to quickly offer an equivalent offering, thus giving the startup an opportunity to capture market share. Companies with patented intellectual property are better able to defend their innovation when they become successful in the market. Because differentiation is most important as a venture is entering the market, this indicator is considered for startups in the Idea, Product Validation and Market Validation stages.

Increase in new customers: A significant indicator of venture progress. Startups that have reached the Market Validation stage and beyond, have determined that there is a market for their product or service and are serving paying customers. An increase in revenue indicates that the venture is on track to grow. In order to receive a score on this indicator, a venture must have increase in new customers of at least 25% year-over-year. This indicator becomes more important at later stages, so it is assigned a higher weight for companies in the Market Expansion stage.

Increase in revenue: A significant indicator of venture progress. Startups that have reached the Market Validation stage and beyond, have determined that there is a market for their product or service and are serving customers. An increase in revenue indicates that the venture is on track to grow. In order to receive a score on this indicator, a venture must have increase in revenue of at least 25% year-over-year. This indicator becomes more important at later stages, so it is assigned a higher weight for companies in the Market Expansion stage.

## APPENDIX A: CALCULATION OF THE BCIC STARTUP HEALTH SCORE

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Mix and number of employees: A factor in the success of startups that have reached the Market Validation stage and beyond is whether they have the necessary team in place. Ventures in the Market Validation stage are graded on whether or not they have any employees. Those who have reached the Market Penetration stage are graded on whether they have full-time employees for sales & marketing, research & development, and management & administration. Those who have reached the Market Expansion stage are also graded on whether they have human resources staff in place. This indicator carries a light weight in the early stages, but it becomes increasingly important at later stages.

Positive cash flow status per transaction: One of the key elements of a successful business is the ability to generate profit on every transaction. Doing so demonstrates that a viable business model exists and that with sufficient scale, the venture can become profitable. This indicator is assigned a light weight for ventures in the Market Validation and Market Penetration stages. The indicator is not used for ventures at the Market Expansion stage, because it is considered to be reflected in the profitability score of a company at that stage.

Profitability status of company: Startups that have reached the Market Penetration and Market Expansion stages and without seeing profit may be facing obstacles in their ability to progress. Ventures with good profitability at these stages are usually on track to advance. Using profitability as an indicator is useful; however, it is not a determining factor for startups in the Market Penetration stage and so it is weighted lightly for ventures in that stage.

## APPENDIX A: CALCULATION OF THE BCIC STARTUP HEALTH SCORE

TABLE 1

| HEALTH INDICATOR                                | COMPANY STAGE |                           |                          |                           |                         |
|-------------------------------------------------|---------------|---------------------------|--------------------------|---------------------------|-------------------------|
|                                                 | ID            | PV                        | MV                       | MP                        | ME                      |
|                                                 | Idea weight   | Product Validation weight | Market Validation weight | Market Penetration weight | Market Expansion weight |
| Customer-validated product-market fit           | -             | 25                        | 10                       | -                         | -                       |
| Customer-validated business model               | -             | 10                        | 15                       | 10                        | -                       |
| Meeting agreed-upon critical milestones         | 40            | 20                        | 15                       | 15                        | 15                      |
| Has enough cash to meet growth objectives       | 25            | 20                        | 10                       | 10                        | 15                      |
| Repeat entrepreneur                             | 20            | 15                        | 5                        | 5                         | -                       |
| Venture's IP is protected (normally by patents) | 15            | 10                        | 5                        | -                         | -                       |
| Increase in new customers (>25% y/y)            | -             | -                         | 20                       | 25                        | 25                      |
| Increase in revenue (>25% y/y)                  | -             | -                         | 10                       | 15                        | 25                      |
| Mix and number of employees                     | -             | -                         | 5                        | 5                         | 10                      |
| Positive cash flow status per transaction       | -             | -                         | 5                        | 10                        | -                       |
| Profitability Status of Company                 | -             | -                         | -                        | 5                         | 10                      |
| <b>Total</b>                                    | 100           | 100                       | 100                      | 100                       | 100                     |
| <b># of Indicators</b>                          | 4             | 6                         | 10                       | 9                         | 6                       |

## APPENDIX A: CALCULATION OF THE BCIC STARTUP HEALTH SCORE

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Figure 1

| Health Score | Level                                         |
|--------------|-----------------------------------------------|
| 75 - 100%    | On Track<br>(Green)                           |
| 60 - 74%     | Delayed - expected to be On Track<br>(Yellow) |
| 0 - 59%      | Off Track<br>(Red)                            |



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